

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2017-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO QUESTION 5 OF CHAIRMAN'S INFORMATION REQUEST NO. 5**
(November 2, 2016)

The Postal Service hereby files its response to question 5 of Chairman's Information Request No. 5, issued on October 27, 2016. The question is stated verbatim and is followed by the Postal Service's response. The responses to Questions 3 and 4 are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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5. Please explain how the proposed Collect on Delivery Hold for Pickup service, which requires that customers travel to a Post Office location to collect their mail, is equivalent to the existing Collect on Delivery service. If these services are not equivalent, please explain the difference in value provided between these services and how that difference is accounted for in the workpapers.

RESPONSE:

The proposed Collect on Delivery Hold for Pickup (COD-HFP) service provides customers (*i.e.*, mailers who pay the COD fee) with service equivalent to what is currently provided by Collect on Delivery (COD) service; a means to send items to recipients who have not paid for merchandise, with the payment for such merchandise collected by the Postal Service (and subsequently transmitted back to the sender) after the item is delivered. As the Postal Service explained on page 37 of its Notice of Market Dominant Price Adjustment, filed on October 12, 2016, the only change being made to COD service is the limitation of the mode of delivery to Hold for Pickup. This change primarily impacts the mail recipient, not the mailer who pays the COD fee. Further, the only change that current COD customers will experience when preparing/entering their mail is that they will now be required to provide the Postal Service with the contact information of the recipient (*e.g.*, an e-mail address or a phone number capable of receiving text messages).

Since the proposed COD-HFP service does not change the basic service being provided to the customer, or significantly change how customers prepare their mailings, the proposal does not appear to fit within the Commission's existing precedent concerning when a mail classification/preparation change

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results in the deletion or redefinition of a rate cell.² Accordingly, even under the Commission's existing approach (which is disputed by the Postal Service, and the subject of a pending appeal),³ the proposed COD-HFP service does not have any impact on the calculation of the price cap.

In addition, the second part of this question appears to suggest that the Postal Service could be under an obligation to incorporate the difference in the "value" of two services into its price cap calculation. The imposition of such an obligation would not only be novel, it would also represent a potentially breathtaking expansion of the scope of the price cap, one which the Postal Service would oppose as contrary to the statutory language governing postal ratemaking. It should be noted that the "value" of a service is not mentioned in the law authorizing the implementation of the price cap (39 U.S.C. § 3622(d)), in the Commission's rules concerning the calculation of the price cap (39 C.F.R. part 3010), or in prior Commission precedent concerning mail preparation/classification changes that affect the price cap.

There are also several practical considerations that militate against including the "value" of a service in the price cap calculation. For instance, what

² See Docket No. R2013-10R, Order No. 3047 – Order Resolving Issues on Remand, at 15 (January 22, 2016) ("deletion of a rate cell occurs when a mail preparation change causes the elimination of a previously available rate. Deletion also occurs when a mail preparation change results in the functional equivalent of a deletion; although the rate may still exist in the MCS, the rate is not available or accessible to any mailers."); *Id.* at 16 ("a mail preparation change will have rate effects under the price cap rules when it results in the redefinition of a rate cell. In order to determine at what point in the spectrum of potential changes that a rate cell can be considered, 'redefined,' the Commission will determine whether the mail preparation change has caused a significant change to a basic characteristic of the mailing. The basic characteristic of a mailing is a way to describe the individual features that define the parameters of the specific rate cell in question and inform a mailer how to qualify for the specific rate cell, i.e., pay the rate associated with those requirements.").

³ *U.S. Postal Serv. v. Postal Regulatory Comm'n*, No. 16-1284 (D.C. Cir. filed Aug. 11, 2016).

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methodology should be used to measure the perceived value of COD versus COD-HFP services? How can the perceived value to the sender be balanced against the perceived value to the recipient, if they happen to diverge? How would the difference in value between the two services be factored into the Postal Service's price cap workpapers? Would changes beyond those made to the Mail Classification Schedule or mail preparation standards lead to a change in value (e.g., the closing of processing facilities or Post Offices)? The Postal Service does not believe that any of these considerations should be dealt with in the context of a price change case, particularly in view of the procedural schedule and statutory timeframe of this proceeding.